

OFFICE OF THE ATTORNEY GENERAL OF ECUADOR

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ECUADOR

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**ALBACORA CASE: THE OFFICE OF THE ATTORNEY GENERAL OF ECUADOR  
PREVAILS IN INTERNATIONAL ARBITRATION CONCERNING INCOME TAX  
EXEMPTIONS**

On March 2, 2015, the Spanish company Albacora S.A. notified the Office of the Attorney General of Ecuador (PGE, in its Spanish initials) of an investment-related dispute involving the Ecuadorian Government: The company claimed that the tax determinations made by the Ecuadorian Internal Revenue Service (SRI, in its Spanish initials) were impacting their investment, since they believed that the income tax exemption established in the Free Trade Zones Law was in effect.

For its part, Ecuador, in the legal defense mounted by the nation's Office of the Attorney General, maintained that such an exemption was repealed by the Internal Tax System Law.

In 2016, an international arbitration on investment matters was commenced; it was administered by the Permanent Court of Arbitration.

After three years of litigation, today the Tribunal unanimously decided to reject all the claims put forward in the proposed request for arbitration, and it ordered the foreign company to pay two-thirds of the costs and expenses corresponding to the arbitral tribunal and the entity administering the case, as well as 50% of the legal costs incurred by Ecuador.

The Office of the Attorney General thus defended the interests and position of the Ecuadorian Government, securing a favorable award in a case where approximately 56 million dollars was at stake.

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